

## K THRU 12 EDUCATION

California provides instruction and support services to roughly six million students in grades kindergarten through twelve in more than 10,000 schools throughout the state. A system of 58 county offices of education, more than 1,000 local school districts, and more than 1,000 charter schools provide students with instruction in English, mathematics, history, science, and other core competencies to provide them with the skills they will need upon graduation for either entry into the workforce or higher education.

The May Revision includes total funding of \$75.9 billion (\$45.1 billion General Fund and \$30.8 billion other funds) for all K-12 Education programs.

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### PROPOSITION 98

A voter-approved constitutional amendment, Proposition 98, guarantees minimum funding levels for K-12 schools and community colleges. The guarantee, which went into effect in the 1988-89 fiscal year, determines funding levels according to multiple factors including the level of funding in 1986-87, General Fund revenues, per capita personal income, and school attendance growth or decline.

Driven by changes to General Fund revenues over the three-year period of 2012-13 to 2014-15, Proposition 98 funding obligations increase by a total of \$242 million over the Governor's Budget. Specifically, Proposition 98 funding in 2012-13 decreases by \$547 million primarily due to a decrease in revenues. In 2013-14, Proposition 98 funding

increases by approximately \$1.5 billion due to higher revenues and enrollment growth. Proposition 98 funding in 2014-15 decreases by approximately \$700 million primarily due to slower year-over-year General Fund revenue growth and a decrease in local revenues. As a result of these changes, the revised Proposition 98 Guarantee levels at the May Revision for the 2012-13 through 2014-15 fiscal years are \$57.8 billion, \$58.3 billion, and \$60.9 billion respectively.

The May Revision focuses on maintaining the core priorities outlined in the Governor's Budget for K-12 schools-paying down the "Wall of Debt" and investing significantly in the new Local Control Funding Formula (LCFF). The May Revision prioritizes available funding to repay all of the inter-year budgetary deferrals through a mix of ongoing 2014-15 funds and one-time funds attributable to 2012-13 and 2013-14. This will provide local educational agencies with a significant infusion of additional cash, which in turn will substantially reduce borrowing costs for schools. The May Revision also continues the Administration's commitment to the LCFF, by maintaining the \$4.5 billion second-year-implementation investment in the formula, enough to eliminate more than 28 percent of the remaining funding gap. Funding is provided for various workload adjustments under the new formula, as detailed in the K-12 Budget Adjustments section.

In addition to retiring K-12 deferrals and investing in the LCFF, the Administration is also focused on a successful implementation of the Common Core academic standards in California. An investment of \$1.25 billion in one-time funds was provided in the 2013 Budget Act to assist schools with investments in the areas of professional development, instructional materials, and technology enhancements. Adequate technological capability is important to supporting basic access for all schools and students to the computer-based assessment environment envisioned under Common Core. This is reinforced by information from field testing of the Common Core English Language Arts and Mathematics assessments. As a result, the May Revision proposes an investment of \$26.7 million for the K-12 High Speed Network to perform a comprehensive network connectivity assessment and allocate grant funding to those school districts with the greatest need in this area. Providing this funding will allow maximum participation in computer adaptive tests during 2014-15.

Finally, significant swings in state revenues and their related impact on Proposition 98 funding from year to year has created an ongoing challenge to maintain stable funding for education. The recently announced agreement between the Governor and legislative leaders to strengthen the state's Rainy Day Fund will establish a Proposition 98 reserve for the first time. This reserve will address some of this volatility and put schools on a

smoother and more predictable revenue and expenditure path. The reserve would make no changes to the guaranteed level of funding dedicated to schools, and it would not begin to operate until school funding is fully restored following cuts made during the Great Recession.

## **K-12 BUDGET ADJUSTMENTS**

Significant Adjustments:

- **Independent Study**—The Governor’s Budget proposed to streamline and expand the instructional opportunities available through independent study by authorizing local educational agencies to offer course-based independent study options for students in grades 9-12 and site-based blended learning programs for grades K-12. The May Revision proposes a series of changes to the Administration’s January proposal, including:
  - Eliminating the requirement that certificated teachers and students meet weekly to assess if a student is making satisfactory academic progress in a school site-based blended learning independent study program. Teachers and students in these programs already interact frequently enough to monitor student progress.
  - Providing schools with the ability to offer site-based blended learning, utilizing a universal learning agreement for all students enrolled in the same course or courses.
  - Promoting equitable funding by funding students enrolled in course-based independent study programs on the basis of average daily attendance, and not enrollment, and applying the statewide excused absence rate to average daily attendance (ADA) claimed by local educational agencies.
- **K-12 High Speed Internet Access**—An increase of \$26.7 million in one-time Proposition 98 General Fund for the K-12 High Speed Network to provide technical assistance and grants to local educational agencies to address the technology requirements necessary for successful Common Core implementation. Based on an assessment by the K-12 High Speed Network, these funds will be targeted to those local educational agencies most in need of help with securing required internet connectivity and infrastructure to implement the new computer adaptive tests under Common Core.

- K-12 Deferrals—A combined net increase of \$742.2 million in one-time Proposition 98 General Fund attributable to the 2012-13 and 2013-14 fiscal years to accelerate the repayment of inter-year budgetary deferrals in those years, relative to the Governor’s Budget. This acceleration will be offset by a reduction of \$742.2 million in ongoing Proposition 98 General Fund for proposed deferral repayments in 2014-15. When combined, total funding over the three-year period will eliminate all K-12 inter-year deferrals.
- Local Control Funding Formula: Unduplicated Pupils—During the initial transition to the LCFF in 2013-14, local educational agencies participating in Provisions 2 and 3 of the National School Lunch Program encountered administrative challenges collecting income eligibility forms to determine if a student qualified for a free or reduced-price meal. To address those challenges, the May Revision proposes the following changes to the calculation of unduplicated pupils under the LCFF:
  - Authorize schools participating in Provision 2 or 3 of the National School Lunch Program to establish base-year student eligibility for free or reduced-price meals no less than once every four years; provided that the school annually updates its free and reduced-price meal eligible student counts for newly enrolled or disenrolled students during the intervening years.
  - Require the Superintendent of Public Instruction to revise a local educational agency’s three-year rolling average unduplicated student enrollment percentage using 2014-15 student data in place of 2013-14 data, if doing so would increase the local educational agency’s rolling average.
- Proposition 39—The California Clean Energy Jobs Act was approved by voters in 2012 and increases state corporate tax revenues. For 2013-14 through 2017-18, the measure requires half of the increased revenues, up to \$550 million per year, to be used to support energy efficiency projects. The May Revision decreases the amount of energy efficiency funds available to K-12 schools in 2014-15 by \$9 million to \$307 million to reflect reduced revenue estimates.
- Local Property Tax Adjustments—An increase of \$83.9 million Proposition 98 General Fund in 2014-15 for school districts, special education local plan areas, and county offices of education as a result of lower offsetting property tax revenues.
- Average Daily Attendance—An increase of \$103.1 million in 2013-14 and an increase of \$121.1 million in 2014-15 for school districts, charter schools and county offices of education as a result of an increase in projected ADA in both years.

- **Categorical Program Growth**—An increase of \$15.3 million Proposition 98 General Fund for selected categorical programs based on updated estimates of projected ADA growth.
- **Cost-of-Living Adjustments**—A decrease of \$258,000 Proposition 98 General Fund to selected categorical programs based on a revised cost-of-living factor of 0.85 percent for 2014-15.
- **K-12 Mandates Block Grant**—An increase of \$1.6 million Proposition 98 General Fund to align mandate block funding with revised ADA estimates. This additional funding is required to maintain statutory block grant funding rates assuming 100 percent program participation.
- **K-12 Mandates Claims Process**—An increase of \$5,000 Proposition 98 General Fund to reflect the addition of five mandates to the mandate claiming process. Specifically, \$1,000 is provided for each of the following new mandates: Parental Involvement Programs; *Williams* Case Implementation I, II, and III; and Developer Fees. An additional \$1,000 is provided for both the existing Student Records and Graduation Requirements mandates, which were inadvertently omitted from the claims process budget bill item last year.

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## CHILD CARE AND STATE PRESCHOOL

Subsidized Child Care includes a variety of programs designed to support low-income families so they may remain gainfully employed. These programs are primarily administered by the State Department of Education (SDE). Additionally, the State Preschool program is designed as an educational program to help children develop the skills needed for success in school. SDE and the Department of Social Services jointly administer the three-stage CalWORKs child care system to meet the child care needs of recipients of aid while they participate in work activities and as they transition off cash aid. Families can access services through centers that contract directly with SDE, or by receiving vouchers from county welfare departments or alternative payment program providers.

Significant Adjustments:

- **Stage 2**—A decrease of \$15.6 million non-Proposition 98 General Fund to reflect a decline in the number of new CalWORKs Stage 2 beneficiaries. Total base cost for Stage 2 is \$348.5 million.

- Stage 3—An increase of \$30.2 million non-Proposition 98 General Fund to reflect a slight increase in CalWORKs Stage 3 caseload and cost per case. Total base cost for Stage 3 is \$216.1 million.
- Capped Non-CalWORKs Programs—A net decrease of \$15.4 million non-Proposition 98 General Fund to reflect a decrease of \$15.9 million of excess authority in these programs that had been included to backfill federal sequestration cuts, which did not occur, and an increase of \$481,000 due to an increase in the population of 0-4 year old children.
- State Preschool—An increase of \$356,000 Proposition 98 General Fund to reflect an increase in the population of 0-4 year old children.
- Child Care and Development Funds—A net increase of \$24.4 million federal funds in 2014-15 reflecting an increase in ongoing base federal funds of \$17.3 million and an additional \$7.1 million in one-time funds from 2013-14.